

Message Text

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ACTION PM-07

INFO OCT-01 ARA-11 ADP-00 EB-11 MC-02 ABF-01 IGA-02 AID-20

CIAE-00 INR-10 NSAE-00 RSC-01 SS-15 NSC-10 RSR-01

PRS-01 COME-00 COA-02 L-03 EUR-25 TRSE-00 OMB-01 H-02

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R 282305 Z JUN 73

FM AMEMBASSY QUITO

TO SECSTATE WASHDC 7896

INFO DOD WASHDC

DIA WASHDC

USCINCSO

AMEMBASSY LIMA

AMCONSUL GUAYAQUIL

CONFIDENTIAL QUITO 3417

DOD FOR ISA.

E. O. 11652: GDS

TAGS: MASS, ETRD, EC

SUBJECT: GROWING GOE INTEREST IN COMMERCIAL PURCHASE

REF: QUITO 3632 SEPT 1972; STATE 174932

1. QUITO REFTEL REPORTED GOE INTEREST IN PURCHASE OF F-5 AIRCRAFT AND CONCERN USG WOULD NOT GRANT EXPORT PERMITS. ISSUE HAS BEEN DORMANT FOR EIGHT MONTHS WHILE GOE PREOCCUPIED WITH ARRANGING PURCHASE OF ITS FIRST PRIORITY PROCUREMENT FOR AIR FORCE MODERNIZATION PROGRAM: TWELVE BAC JAGUARS. DURING WEEK OF JUNE 17 ONE OF TOP GOE BODIES, EITHER NATIONAL DEFENSE COUNCIL OR MONETARY BOARD, FLATLY REJECTED JAGUAR DEAL ON GROUNDS EXCESSIVE COST -- REPORTEDLY US\$70 MILLION.

2. IN AIR FORCE STAFF STUDY OF PROCUREMENT OPTIONS, F-5
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PACKAGE IS FIRST ALTERNATIVE TO JAGUAR. FACT THAT F-5 S UNDER ACTIVE CONSIDERATION WAS TELEGRAPHED BY SUDDEN ACTIVITIES OF SEVERAL ECUADOREAN PROMOTERS WHO HAVE PARTICIPATED IN PAST ARMS DEALS WHO SWAMPED NORTHROP REPRESENTATIVE WITH OFFERS TO BECOME LOCAL NORTHROP AGENT. FACT THAT F-5 S NOW TOP PRIORITY CANDIDATE FOR PURCHASE BY FAE CONFIRMED TO VISITING NORTHROP REP BY FORMER FAE CHIEF OF STAFF MONTESINOS.

3. ON JUNE 26, SUBSECY FONOFF RAISED GENERAL ISSUE OF MILITARY AIRCRAFT PURCHASES WITH CHARGE, STATING THAT BECAUSE HER NEIGHBORS HAD PURCHASED NEW AIRCRAFT GOE FELT OBLIGED TO HAVE AT LEAST TOKEN FORCE. HE SAID HE HAD BEEN REQUESTED BY MEMBER OF CABINET TO MAKE INFORMAL INQUIRIES TO DETERMINE IF AIRCRAFT AVAILABLE FROM US AND UNDER WHAT CONDITIONS. ALSO REQUESTED INFO ON CONDITIONS OF RECENT SALES OF U. S. MILITARY AIRCRAFT TO OTHER L. A. COUNTRIES. CHARGE INFORMED HIM THAT, AS HE KNEW, FMS SALES NOT AVAILABLE TO ECUADOR, BUT THAT ON PREVIOUS OCCASION WHEN THIS ISSUE HAD ARISEN, WE HAD INFORMED GOE THAT USG WOULD ISSUE EXPORT LICENSE FOR COMMERCIAL SALE OF F-5 S.

4. SUBSECY SAID IN PAST THERE HAD BEEN DOUBT ABOUT USG WILLINGNESS TO GRANT EXPORT LICENSE, MIXED WITH RELUCTANCE ON PART OF SOME OFFICIALS TO BUY U. S. WHILE SANCTIONS ARISING FROM FISHING DISPUTE STILL APPLIED TO ECUADOR. HE REITERATED HIS INFORMAL REQUEST FOR STATEMENT OF USG WILLINGNESS TO GRANT EXPORT LICENSE FOR COMMERCIAL SALE OF F-5 S, AND STRESSED HIS NEED FOR INFORMATION ON CONDITIONS OF RECENT SALES. HIS REQUEST FOR INFORMATION COULD BE MIXTURE OF THREE THINGS: (1) FISHING EXPEDITION FOR INFO TO SHOW HOW ECUADOR HAS SUFFERED FROM FMS SANCTION; (2) LACK OF INFORMATION ON VOLUME OF ARMS SALES IN LATIN AMERICA AND CONVENTIONAL SALES PRACTICES; (3) NEED FOR DATA IN ORDER TO BE ABLE TO DISCUSS ISSUE INTELLIGENTLY, SINCE HE DISPLAYED GENERAL IGNORANCE OF IT.

5. ECUADOREAN ARMED FORCES HAVE SUBSTANTIAL EARMARKED REVENUES FROM OIL PRODUCTION FOR THE PURPOSE OF FORCE MODERNIZATION. THEY HAVE ESTABLISHED AN ARMS ACQUISITION PROGRAM AND HAVE PARTIALLY IMPLEMENTED IT THROUGH PURCHASE
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OF EIGHT BAC STRIKEMASTERS. WE ARE CONFIDENT THEY ARE DETERMINED TO PURCHASE AIRCRAFT IN THE F-5 CATEGORY, IF NOT FROM THE US, FROM NEXT BEST SOURCE. THE EMBASSY CONTINUES TO BELIEVE THAT THERE ARE SIGNIFICANT ADVANTAGES TO THE U. S. TO SALE TO THE GOE OF F-5 S, AND STRONGLY ADVOCATES TAKING ALL REASONABLE STEPS TO FACILITATE THE SALES.

6. ACTION REQUESTED: (A) THAT THE INSTRUCTIONS CONTAINED
IN STATE 174932 BE REAFFIRMED. (B) THAT THE EMBASSY BE
PROVIDED WITH A SUMMARY OF INFORMATION ON RECENT MILITARY
AIRCRAFT SALES TO LATIN AMERICA, BOTH U. S. AND FOREIGN,
WITH AVAILABLE INFORMATION ON PRICES AND TERMS. IT WOULD
ALSO BE USEFUL TO HAVE DATA ON ANY U. S. MILITARY AIRCRAFT
SALES IN LATIN AMERICA MADE ON A COMMERCIAL BASIS.

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